

July 27, 2004



City of Austin

July 14, 2004

Mrs. Claudette Hartman
Austin Botanical Garden Foundation Inc.
10711 Burnet Road, Suite 331
Austin, Texas 78758

Dear Mrs. Hartman:

The conceptual proposal for a transfer of Zilker Botanical Garden management that you presented to the Parks and Recreation management team in April has been reviewed. I regret the delay in providing you a reply, however this time of the year is intense as we undertake mid-year fiscal evaluations and prepare for summer.

After our discussions, I believe we are in agreement that the model of a fiscally sustainable botanical center has merit. From reviewing your proposal, the plan to get there involves:

- (1) making more financial resources available,
- (2) developing a larger and more professional staff,
- (3) providing more parking or improving transportation access, and
- (4) developing more facilities and greenhouses onsite as multi-use attractions

While Parks and Recreation is intrigued by the merits of the proposal, we recognize that relinquishing management of one of the City's most popular attractions within a beloved downtown park is not a simple proposition. Parks and Recreation cannot commit to such a change unilaterally. Several of the actions needed to implement your proposal will take in-depth review by boards and commissions, City management, stakeholders, and ultimately City Council authorization.

The City remains interested in maintaining the trust and satisfaction of all our customers and visitors now and long into the future. Due to high visitor traffic, the site location dictates that the facility must closely coordinate with adjacent PARD facilities and events on a regular basis, especially on the issues of transportation access and parking.

Development of the infrastructure, buildings, parking areas, and other permanent features within your proposal are relatively new to the Zilker Park planning process, and that

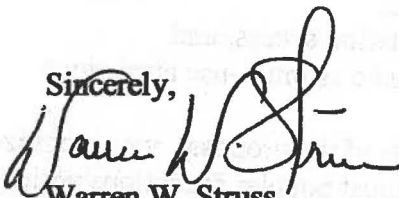
development would still need to comply with existing City ordinances, permits, and site planning regulations. Your request that PARD undertake the site planning and construction management of the proposed facility improvements is not practical at this time in light of other ongoing projects and deferred maintenance needs of the park system.

We remain committed to public/private partnerships that allow us to leverage our resources to benefit the community. The Austin Botanical Garden Foundation has undertaken a very ambitious conceptual plan that needs firm financial support and the backing of diverse interested parties.

As staff has discussed with George Pond, the next steps include discussions with the Parks Board and the Land and Facilities Subcommittee. The board meets on the fourth Tuesday of each month, and the July 27th meeting is the next opportunity to present the proposal. Please let us know if the July date fits your schedule so we can place this item on the agenda. The meetings start at 6:30 p.m. and are held at the PARD Main Office Board Room.

If you are able to make this meeting please contact Rick Ramirez at 974-6734 so he can facilitate getting the item on the agenda for your presentation. If this is not a good meeting time, let us know what fits best with your schedule.

Sincerely,



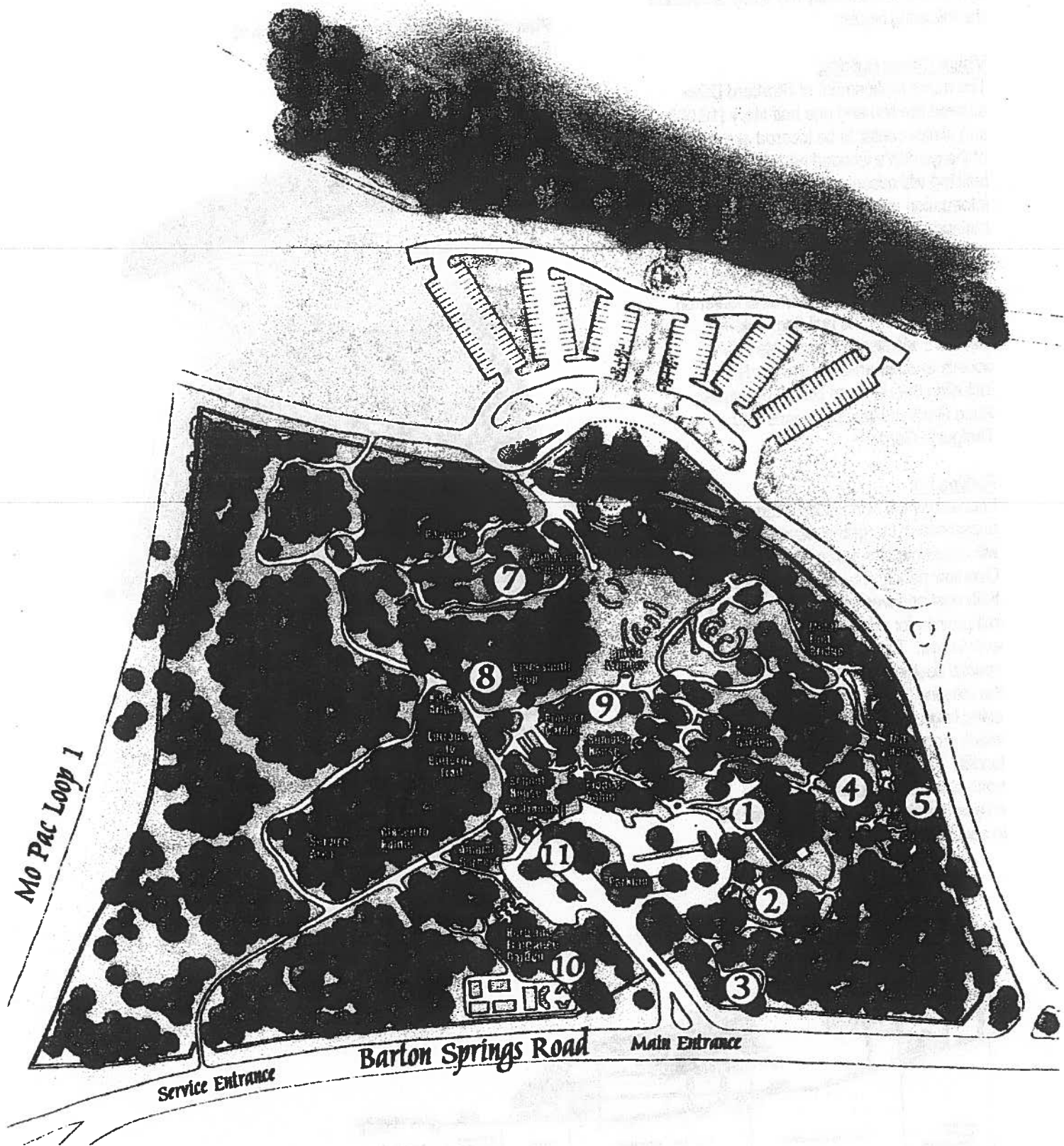
Warren W. Struss

Acting Director

Parks and Recreation Department

xc: Rick Ramirez, Acting Assistant Director, Parks and Recreation Department
Juan Valera-Lema, PARD Division Manager, Parks and Recreation Department
Stuart Strong, PARD Division Manager, Parks and Recreation Department

ce at



New Visitor Center / Entrance at Stratford Drive Zilker Botanical Garden, Austin, Texas

The purpose of this study is to investigate a new visitor center building, parking lot, bus drop-off lane and visitor entrance on the north side of the botanical garden from Stratford Drive. More specifically the study addressed the following issues:

Visitor Center Building

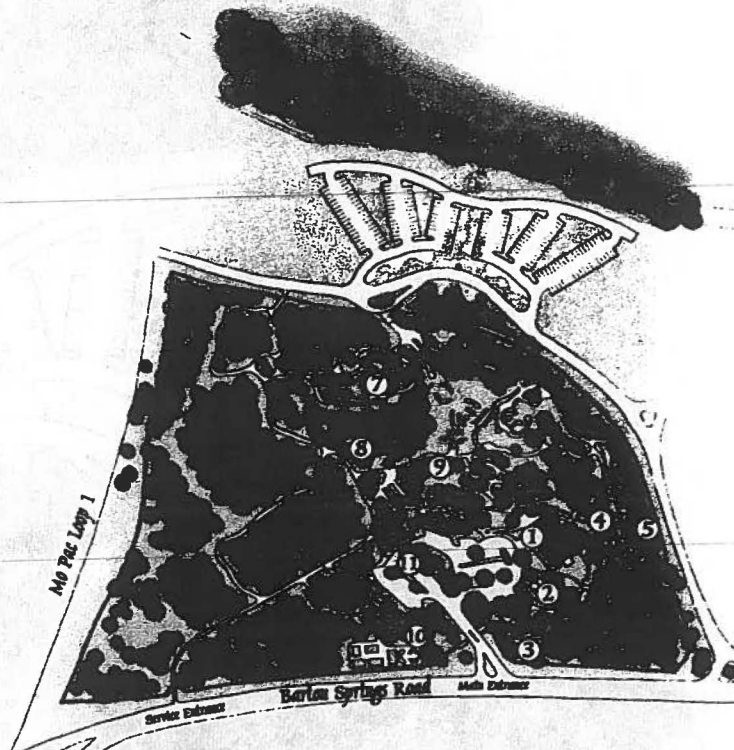
The minor realignment of Stratford Drive allowed the two and one half story (12,000 s.f.) visitor center to be located at the base of the garden's wooded north slope. The building will accommodate a new visitor information center, admissions/ticket area, restaurant, gift shop, meeting rooms and offices, library and small auditorium. This location at the base of the slope also creates a natural outdoor amphitheater on the south side of the building. Internal elevators will also help facilitate ADA access to other areas of the garden including the Hartman Dinosaur Garden, Rose Garden, Walk of Friends and Taniguchi Garden.

Parking Lot

Located on the north side of Stratford Drive, phase one of the gravel paved parking lot will accommodate approximately 160 cars. Overflow parking on stabilized grass areas both east and west of the main parking area will provide for additional cars on special event days. The parking area will have special design consideration due to the existing landfill. These include using large native grass bio-swales which prohibit infiltration into the landfill. The surface run-off from the north slope of the garden and adjacent parking areas will be directed to special collection areas. The

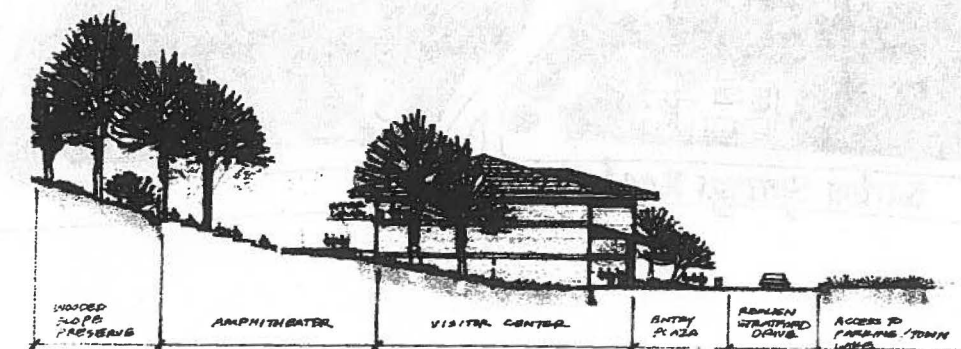
parking lot has also been designed to provide a strong pedestrian link between the Town Lake Hike and Bike Trail and the garden.

Plan of New Visitor Center / Entrance at Stratford Drive



Bus/Visitor Drop-Off

A drop-off loop has been added to the existing Rose Garden entrance area at Stratford Drive. This area has been raised several feet to help facilitate pedestrian access to the garden. In addition this entrance will continue to serve as the garden's service entrance.



**A Five Year Business Plan
for the
Management of Zilker Botanical Garden
by the
Austin Botanical Garden Corporation,
a Non-profit Organization**



**Prepared by
The Austin Botanical Garden Committee:**

**Dr. Jerry Brand, Professor of Life Sciences, University of Texas
Claudette Hartman, Trustee of the Hartman Foundation
David Hartman, Foundation Chairman and retired CEO of Hartland Bank
Barry Lovelace, Management Consultant
Dr. Craig Nazor, Adjunct Professor, Austin Community College
George Pond, Development Specialist**

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Executive Summary

This document presents a proposal in which the management of Zilker Botanical Garden (ZBG) is transferred from PARD to an autonomous non-profit corporation. This reorganization will save the City \$69,000 the first year, \$125,000 the second year, \$150,000 the third year, \$175,000 the fourth year, and \$275,000 the fifth year, for a total savings of almost \$800,000 in a five year period. At the same time, the new management will be able to operate ZBG as a first class facility with substantially more funding than it currently receives. At the end of this five-year period, it will be possible for ZBG to be fully funded in perpetuity from generated revenue, grants, and private donations at a much higher funding level with minimal support from the City. This proposal will not only greatly increase the quality, diversity, and publicly accessible amenities in ZBG, but will also protect ZBG from the negative impact of current (and future) City budget crises. Capital projects to expand and enhance ZBG are an integral part of this plan. Described herein are the means for long-term funding and the administrative structure of a reorganized ZBG, as well as a mechanism for transferring financial and administrative responsibility from the City of Austin to the non-profit Austin Botanical Garden Corporation.

Opportunity

Due to the negative effect of the recent economic downturn on tax revenues, the City of Austin Parks and Recreation Department (PARC) faces a proposed 40% reduction in funds for the upcoming year. One of Austin's most popular downtown area attractions, Zilker Botanical Garden (ZBG), will be very hard hit by any reduction in funding. ZBG is currently funded well below the national average for a facility of its size in an equivalent metropolitan area, as can be seen in the chart labeled "Botanical Garden Statistics" in the appendices. A 40% reduction of the already meager \$350,000 budget could easily result in the terminal degradation of this much loved Austin landmark.

The operating hours will have to be reduced if the facility is not to be left unattended. Already there are times when ZBG is open to the public with no city employee present anywhere on the grounds, and damage to garden areas, particularly the Oriental Garden and the new Hartman Prehistoric Garden, is increasing. The annual attendance now well exceeds 500,000 people and is increasing while staff levels continue to be reduced. If these trends continue, ZBG will continue to deteriorate.

However, this moment of crises is also a moment of great opportunity for ZBG. In this document, the Austin Botanical Garden Committee presents to the Austin City Council a plan which could generate enough funds, through modest user fees comparable to fees charged by similar institutions around the country, for ZBG to be successfully managed with a greatly reduced reliance on city support. To do this effectively, ZBG would be leased for \$1 a year to the non-profit Austin Botanical Garden Corporation, which would have the authority to manage ZBG as a first rate botanical garden of national significance. This board would have the authority to assess reasonable user fees for the leased facilities. The fees that we believe would be appropriate are presented in the proposed budget (Part 5).

In order to facilitate a smooth transition to this new management, the Hartman Foundation would underwrite the first three years of operation. The support that would be required from the city under this proposal is also listed in the proposed budget. This level of support would begin \$69,000 below the 2002 amount (\$353,000) and gradually be reduced over a five-year period, with the end goal being a totally self-supporting facility. The city support would also include utilities (electricity, water, wastewater, and garbage) and the use of the city vehicles and other equipment currently assigned to ZBG until those vehicles and equipment can be replaced. In the future, additional City support could be reinitiated as desired as a major corporate donation to ZBG.

Under this new management, money generated by ZBG would stay there to help pay for maintenance and improvements to the facility. This is substantially different from the system that now exists. Memberships, grants, and donations could go directly to ZBG without the fear that these gifts would be compromised by manipulations of

the PARD budget. An endowment drive would be implemented to eventually assure the continued excellence of ZBG far into the future, regardless of economic or political fluctuations.

An important part of this proposal would be the creation of a full time Director of Education position. This educator would be available to the students of AISD to assist in their understanding of botany, ecology, integrated biology and horticulture through a program that would present prescheduled tours and lectures at ZBG. Other than the cost of transportation to and from ZBG, this service would be free. Such a position does not currently exist, and it is an opportunity missed.

The only major constituent issue created by this proposal is the conversion of ZBG from a "free" facility (actually, financed solely through city taxes and volunteer help) to a "fee" facility. There are very few "free" botanical gardens in the USA of the size, quality, and annual attendance of ZBG. Those other facilities (one being the 55 acre Strybing Arboretum in Golden Gate Park) have a much larger budget (close to \$5 million for Strybing, \$2 million provided by the City of San Francisco) and staff (a total of 35, 15 of which are provided by the City of San Francisco) than ZBG. Budgets of the past decade suggest that the City of Austin has struggled to fund the facility adequately. It is important to note that the real choice is not between "pay or free," but rather "pay and have an excellent facility or free and allow the facility to deteriorate." At this point, if nothing changes, those who have supported ZBG for many years with hundreds of thousands of dollars and thousands of volunteer hours will rightly hold those who prevent change responsible for the loss of an irreplaceable investment. It is the passionate hope of the Austin Botanical Garden Committee and the garden community we represent that the city chooses to allow ZBG to achieve the prominence it deserves.

Mission

Historically, ZBC has never had a mission statement. A mission statement is vitally important to assure that all expectations are met concerning this new proposal, as well as to avoid misunderstandings by interested parties as to the proper function, use, and funding levels for ZBC. The mission of ZBC, under the auspices of the Austin Botanical Garden Board, would be to:

1. Provide the City of Austin with a garden of great esthetic beauty and high horticultural and biological integrity
2. Provide visitors with a unique educational opportunity in horticulture, biology, physical sciences, and the environment with a particular emphasis on supporting the public education of grade school children
3. Promote in Austin an understanding of the importance of plants in environments both natural and manmade
4. Provide strategies to help conserve the earth's valuable botanical resources
5. Provide the City of Austin with a destination of national prominence to promote tourism in the downtown area
6. Protect the Garden, its infrastructure, its flora, and its fauna so it can continue to be enjoyed by its citizens and guests both now and in the future

Non-profit Board

The Austin Botanical Garden Board would consist of five unpaid members from the Austin area with a strong commitment to further the mission of ZBG. The sixth member would be the new Executive Director of ZBG. This Board of Directors would lead a well thought out organization to efficiently meet the long-term objectives and the mission of ZBG. The Board would:

1. Provide the Executive Director with financial oversight and advice.
2. Provide vital support for fundraising efforts, approve annual budgets, and define long term financial goals.
3. Propose and develop new projects and obtain funding for them.
4. Meet at least once a month and provide annual financial reports to the City of Austin.
5. Approve all hiring and firing of personnel, including finding and hiring a qualified and dynamic individual for the position of Executive Director.
6. Approve all user fees for the facilities.
7. Function under a 501(c)3 IRS tax status.
8. A representative of the Hartman Foundation would initially fill one of the Board positions. A representative of an organization of garden clubs and related societies that would like to help support ZBG on its new mission (currently, the AAGC) would also fill one Board position. Business, philanthropic, and civic leaders of the Austin community would fill out the other three positions.

Budget

Through the careful implementation of reasonable user fees and focused fundraising efforts, the Austin Botanical Garden Corporation would nurture an annual budget that would rely less and less upon City money until ZBG can be operated independently of City funds. Over the course of the five-year business plan, staffing levels would increase as new garden attractions came online and more visitors attended the facility. Research suggests that minimum adequate staffing levels for a botanical garden the size of ZBG would be 13 full time employees and that a minimum annual budget would be \$1.2 million. These are target goals for Y5. A spreadsheet of the five-year budget can be found in the appendices.

The following is a list of potential user fees:

1. General admission would be \$6 for adults, \$3 for children under 16, children under 4, free.
2. Annual memberships would be \$20 for individuals, and \$30 for families. This would entitle members to unlimited free access and free parking in the lot inside ZBG.
3. Weddings would be \$150 for 2 hours with a maximum of 100 celebrants.
4. Professional photographer permits would be \$100 annually. This would permit unlimited free access for the photographer and up to 6 assistants and/or clients and free parking in the inside lot.
5. Parking for nonmembers at the inside lot would be \$3 per vehicle.
6. Meeting facility rental would vary according to the facility, with a large preference given to garden related events, shows, and sales.

The following is a list of proposed staff positions:

Executive Director – The Executive Director is responsible for the management of ZBG in a manner compliant to the wishes of the Austin Botanical Garden Board. This includes all aspects of horticulture, design, development, education, budgeting, and fundraising. The Executive Director presides over Board meetings. The Executive Director prepares and presents a proposed annual budget to the Board.

Horticultural Director – The Horticultural Director is responsible for the management of the gardens under the direction of the Executive Director.

Horticultural assistants – Three horticultural assistants assist the Horticultural Director in the management of the gardens.

Capital Improvements

This new method of management will make it much easier to attract donations to improve the facilities at ZBG, since benefactors and donors will be dealing directly with an administration that has ZBG as its one and only focus. There will also be direct accountability for maintaining the facilities properly, since the financial health of ZBG will be tied directly to the quality of the visitor's experience. Two projects of particular significance are proposed as a part of this plan to help attract more visitors to ZBG and raise revenues. The first project, to be planned in the first year (Y1) and built in Y2 and completed in Y3, would be a new Butterfly Greenhouse to promote the knowledge and enjoyment of plant/animal relationships in a biologically interesting and esthetically pleasing facility. Greenhouses such as this are very popular attractions in botanical gardens and zoos around the world. This greenhouse would house butterflies and other compatible creatures and the plants they depend on in their life cycles. The greenhouse would be designed to be attractive to view either from the inside or outside so that it would remain of interest during hours when it could not be attended. The total cost of this project would be approximately \$200,000.

The second project would be a new visitor center and main entrance on Stratford Drive. This complex would contain a restaurant, gift shop, meeting rooms, offices, library, amphitheater, and exhibition area next to a redesigned entrance to facilitate bus traffic. The restaurant and amphitheater would be designed so that by day they would serve visitors to ZBG, and at night they could become an Austin "alternative" music venue. This visitor center would be located so that it can be accessed while ZBG is closed, the restaurant and gift shop providing a significant source of yearly revenue, estimated to be \$150,000. Design and fundraising would take place in Y1 and Y2, with construction starting in Y3 and being completed by Y5. The total estimated cost of this project would be \$2.5 million.

Hardscape Specialist – The Hardscape Specialist is responsible for all rock and rockwork. He is also responsible for the garden irrigation and drainage systems. At other times, he assists the Horticultural Director.

Hardscape assistant – This employee assists the Hardscape specialist.

Education Director – The Education Director is responsible for organizing the education program and managing the Butterfly House.

Garden Coordinator – The Garden Coordinator coordinates all events and all volunteers at ZBG, including the Austin Area Garden Council. The Garden Coordinator also keeps track of memberships.

Publicity and Fundraising Coordinator – This position is responsible for all publicity for ZBG. This coordinator also assists the Executive Director in fundraising efforts as well as maintains the website.

Gatekeeper Coordinator/Accountant – This position coordinates the collection of admission and parking fees, records those fees, and keeps attendance records. The Gatekeeper Coordinator is responsible for scheduling gatekeepers and security. They also assist in the budgeting process.

Gatekeeper/Security – Two employees assist the Gatekeeper Coordinator in collecting fees and keeping attendance records. They also are responsible for garden security.

A chart showing Y1 expenses as well as initial capital outlay can be found in the appendices.

Conclusion

The City of Austin has grown tremendously in the past eight years. In this same period of time, visitors to ZBG have increased by at least a factor of three. The cultivated areas of ZBG requiring maintenance have increased significantly. Unfortunately, the amount of money expended on ZBG by the city has decreased in these same eight years, and the staff has been reduced by over half. If this facility is to grow and prosper, this state of affairs needs reviewing. We believe that we have a financially sound plan to manage ZBG as a first rate botanical institution. This plan will attract visitors and dollars to the downtown area, serve as a great educational opportunity for Austin school children, and most importantly, protect, preserve, and nurture this jewel in the heart of Austin. ZBG has beautiful and historic facilities already in place, and it has a location that is the envy of many other botanical gardens. The alternative to a sound financial plan is grim. ZBG could become relegated to a long list of competing facilities in the politics of a financially strapped PARD, and past indications are that it will not fare as well as it should in such circumstances.

Many thousands of Austin citizens have marked significant moments of their lives at ZBG: weddings and memorial services, countless special photographs both amateur and professional, garden festivals of all types, shared music, favorite paintings, romantic trysts, remembered holidays. Thousands of volunteer hours and hundreds of thousands of donated dollars have also gone into ZBG. The garden is now hanging by the thinnest of threads, and the only way to save it is to increase the amount of financial support that it is currently receiving. If this plan is not to the Austin City Council's liking, the Council nevertheless retains the responsibility to the many, many citizens of Austin to whom ZBG is a much loved facility to invest more money to prevent the deterioration of this precious Austin resource.

Appendices

Botanical Garden Statistics

Quail Botanical Garden (Encinitas, CA)

Number of acres 35, most of it developed
Annual budget \$1,100,000
FTE 12
Entrance fee \$5, going up to \$8 next year
Annual visitors 120,000
Administered by independent, non-profit board

San Antonio Botanical Gardens

Number of acres 33, most of it developed, with greenhouse complex
Annual budget \$1,500,000
FTE 31
Entrance fee \$4
Annual visitors 120,000
Administered by the City of San Antonio

Ladybird Johnson Wildflower Center

Number of acres 284, 5 of it developed, 136 for research
Annual budget \$4,500,000
FTE 52
Entrance fee \$7 peak season, \$5 off season
Annual visitors 80,000
Administered by independent, non-profit board

Zilker Botanical Gardens

Number of acres 31, more than half developed
Annual budget \$353,000 (2002)
FTE 5 (2002), 4 (2003)
Entrance fee \$0
Annual visitors well over 500,000
Administered by the City of Austin

Proposed Five Year Budget for Zilker Botanical Garden

| REVENUES | | YEAR 1 | | YEAR 2 | | YEAR 3 | | YEAR 4 | | YEAR 5 | |
|---------------------------|-------|--------|-----------|---------|-----------|---------|-------------|---------|-------------|---------|-------------|
| Admissions @ | \$8 | 75,000 | \$450,000 | 100,000 | \$800,000 | 125,000 | \$750,000 | 150,000 | \$900,000 | 160,000 | \$960,000 |
| Annual Membership @ | \$20 | 2,000 | \$40,000 | 2,000 | \$40,000 | 2,000 | \$40,000 | 2,000 | \$40,000 | 2,000 | \$40,000 |
| Family @ | \$30 | 500 | \$15,000 | 500 | \$15,000 | 500 | \$15,000 | 500 | \$15,000 | 500 | \$15,000 |
| Weddings @ | \$150 | 200 | \$30,000 | 200 | \$30,000 | 200 | \$30,000 | 200 | \$30,000 | 200 | \$30,000 |
| Photographer Membership @ | \$100 | 30 | \$3,000 | 30 | \$3,000 | 30 | \$3,000 | 30 | \$3,000 | 30 | \$3,000 |
| Visitor Center | | | | | | | | | | | \$150,000 |
| City of Austin | | | \$284,000 | | \$225,000 | | \$202,000 | | \$173,000 | | \$87,000 |
| Total Revenues | | | \$822,000 | | \$913,000 | | \$1,040,000 | | \$1,161,000 | | \$1,265,000 |
| EXPENDITURES | | YEAR 1 | | YEAR 2 | | YEAR 3 | | YEAR 4 | | YEAR 5 | |
| Staff Compensation | | | \$395,000 | | \$425,000 | | \$485,000 | | \$560,000 | | \$630,000 |
| PRT & B @ | 25% | | \$99,000 | | \$107,000 | | \$122,000 | | \$140,000 | | \$158,000 |
| Utilities (by City) | | | \$0 | | \$0 | | \$0 | | \$0 | | \$0 |
| Expenses | | | \$282,000 | | \$330,000 | | \$377,000 | | \$400,000 | | \$410,000 |
| Capital Expense | | | \$46,000 | | \$51,000 | | \$56,000 | | \$61,000 | | \$67,000 |
| Total Expense | | | \$822,000 | | \$913,000 | | \$1,040,000 | | \$1,161,000 | | \$1,265,000 |

Y1 Expenses

| | |
|---------------------------------------|------------------|
| Advertising, printing and mailing | \$20,000 |
| Building maintenance and improvements | \$30,000 |
| Construction materials, soil | \$30,000 |
| Education | \$15,000 |
| Fertilizer, pesticides, chemicals | \$20,000 |
| Fuel | \$5,000 |
| Fundraising | \$50,000 |
| Insurance | \$10,000 |
| Irrigation supplies | \$25,000 |
| Plant acquisitions | \$50,000 |
| Safety | \$1,000 |
| Telephone, internet | \$1,000 |
| Travel | \$5,000 |
| Vehicle maintenance | \$5,000 |
| Water feature maintenance | \$10,000 |
| Website expense | \$5,000 |
| Total Y1 expenses: | \$282,000 |

Capital Outlay (5 years)

| | |
|-------------------|------------------|
| Office equipment | \$30,000 |
| Tools | \$20,000 |
| Pickup Truck | \$25,000 |
| Trailer | \$3,000 |
| Cushmans (2) | \$30,000 |
| Bobcat | \$30,000 |
| Chipper | \$20,000 |
| Gatehouses | \$50,000 |
| Total | \$208,000 |
| Y1 (10% interest) | \$46,000 |
| Y2 (10% interest) | \$51,000 |
| Y3 (10% interest) | \$56,000 |
| Y4 (10% interest) | \$61,000 |
| Y5 (10% interest) | \$67,000 |

Proposed Lease

The proposed lease would include the following articles:

1. Definition of Terms
2. Administration (the names of the two parties)
3. Term (ninety-nine years)
4. Rent (\$1 per year)
5. Indemnity and Requirement of Insurance (defines liability)
6. Use (as defined by the mission statement and capital improvement proposals)
7. Alterations (ownership and approval of improvements)
8. Taxes, Assessments, and Fees
9. Conduct
10. Right of Inspection
11. Hazardous Substances
12. Indemnification (for the City's protection)
13. Notices
14. Vacation of Premises
15. Special Provisions (any desired provisions by either party would appear here)
16. Entire Agreement

Dr. Craig Nazor
11803 Hyacinth Dr.
Austin, TX 78758
512-836-5087
c.nazor@earthlink.net



RCA
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION

AGENDA ITEM NO.: Auto-Populate
AGENDA DATE: Auto-Populate
PAGE: 1 of 2

SUBJECT: Approve amending Sections 25-7-92 and 25-7-152 of the City Code and adding a new section 25-7-96 to the City Code relating to the construction of an unoccupied building structure or parking area on recreational lands in the 25-year floodplain and to the dedication of easements and rights of way.

AMOUNT & SOURCE OF FUNDING: N/A

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

REQUESTING Watershed Protection and **DIRECTOR'S**
DEPARTMENT: Development Review **AUTHORIZATION:** _____

FOR MORE INFORMATION CONTACT: George Oswald, 974-3369; Martha Vincent, 974-3371

PRIOR COUNCIL ACTION: N/A

BOARD AND COMMISSION ACTION: <enter "N/A" or **begin with the words** "Recommended by", "Not recommended by", or "Reviewed by" Name of Board or Commission.>

PURCHASING: N/A

MBE / WBE: N/A

The purpose of this City Code amendment is to allow the construction of certain unoccupied building structures and parking areas on recreational lands within the limits of the 100-year and 25-year floodplains. The proposed amendment will allow the construction of restrooms, bath houses, concession stands and pump house facilities within the floodplain and allow the floor elevation to be less than the Regulatory Flood Datum (100-year floodplain elevation plus 1 foot). To permit this type of building construction, the following conditions must be met: 1) buildings are required to be constructed of materials which are neither hazardous nor vulnerable to loss under flooding conditions, 2) certain building structural requirements must be met to resist the dynamic forces of moving floodwaters, 3) sanitary sewer systems must be designed to eliminate the infiltration of flood water and the discharge of sewage into flood water, 4) provision must be made for equalization of inside-outside hydrostatic pressure under flood conditions, and 4) an engineer/architect must certify that the building design meets these requirements. Additionally, it must be demonstrated by an engineer that the placement of a building or parking area within the floodplain will not have an adverse effect on the 100-year floodplain or on other properties.

The City Code currently includes general exceptions (Sections 25-7-93 and 95) that allow unoccupied building construction and parking areas within the boundary of the 100-year floodplain under specific limitations. Buildings must be less than 1000 square feet and parking areas less than 5000 square feet. Additionally, safeguards are in place that require the mitigation of any associated adverse floodplain or health/safety impacts. These limitations and safeguards are carried forward with the proposed City Code amendment to allow these same types of facilities to be constructed within the boundary of the 25-year floodplain but are limited to recreational land only. Much City parkland and private recreational lands such as golf courses are located along creeks in floodplain areas. Facilities such as restrooms and bathhouses, concession stands, and pump house facilities currently require variance action by the City



RCA
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION

AGENDA ITEM NO.: Auto-Populate
AGENDA DATE: Auto-Populate
PAGE: 2 of 2

Council to allow siting within the 25-year floodplain. The proposed City Code amendment will allow the approval process for small facilities to be expedited through administrative processing while maintaining safeguards. The proposed amendment is limited to small facilities; projects, which exceed these size limits, will continue to be presented to the City Council for variance consideration.

Potential Economic & Fiscal Impact of Decker Lake Water Facility

Prepared for:

River City LP

July 15, 2004



**TEXAS
PERSPECTIVES INC.**

1310 South First Street
Suite 105

Austin, Texas 78704

(512) 328-8300

www.txp.com

The Potential Economic & Fiscal Impact of Decker Lake Water Facility

Overview

Decker Lake Water Facility (DLWF) is a proposed world-class outdoor entertainment venue that will host water sporting events, live music, and other spectator sports. DLWF will fill a void in Central Texas' entertainment options and will focus on attracting new types of events and visitors to the Austin region. Since this is a new development, Texas Perspectives Inc. (TXP) has assisted in quantifying the potential economic impact of DLWF.

There are three main drivers of increased regional economic activity related to this project: 1) salaries paid to full-time DLWF employees; 2) local DLWF purchases of goods and services required for each event; and 3) out-of-town spectator spending. Attendance and spending by Austin residents yields no net change in economy activity, since local disposable income is being reallocated within the community. Therefore, only spending associated with out-of-town spectators is used in this analysis, with an estimate of \$550 per attendee per event.

Increased regional economic activity will vary based on the type of event, number of attendees, and visitor spending patterns. The number of DLWF events is projected to steadily increase during the first six years of operation. For the purposes of this analysis, DLWF is projected to host the following types of events:

- Boat Races
- Jet Ski Competitions
- Water Ski Events
- Motorcross Races
- Music Concerts

| Table 1: Projected Decker Lake Water Facility Events & Total Attendance | | |
|---|--------|-----------------------------------|
| Year | Events | Attendance (Local & Non-Local) |
| 1 | 2.5 | 101,667 |
| 2 | 4 | 136,667 |
| 3 | 6 | 183,333 |
| 4 | 8 | 230,000 |
| 5 | 10 | 276,667 |
| 6 | 12 | 323,333 |

Source: Decker Lake Water Facility; International Hot Boat Association

Estimated annual DLWF and non-local visitor spending is provided in the following table. In order to protect confidential DLWF revenue and income projections, DLWF and non-local visitor spending has been combined. Over 90 percent of DLWF expenditures will be used to purchase goods and services from Austin area businesses. All dollar figures in this report are nominal with 2004 serving as the base year.

The Potential Economic & Fiscal Impact of Decker Lake Water Facility

Table 2: Estimated Decker Lake Water Facility & Non-local Spectator Spending

| Year | Purchases |
|------|-----------|
| 1 | \$10.5M |
| 2 | \$13.8M |
| 3 | \$18.1M |
| 4 | \$22.6M |
| 5 | \$26.8M |
| 6 | \$30.7M |

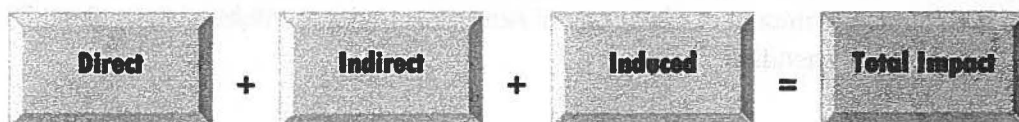
Source: TXP, Decker Lake Water Facility

Economic Impact Methodology

In an input-output analysis of new economic activity, it is useful to distinguish three types of expenditure effects: direct, indirect, and induced. Direct effects are production changes associated with the immediate effects or final demand changes. The payment made by an out-of-town visitor to a hotel operator is an example of a direct effect, as would be the taxi fare that visitor paid to be transported into town from the airport.

Indirect effects are production changes in backward-linked industries caused by the changing input needs of directly affected industries – typically, additional purchases to produce additional output. Satisfying the demand for an overnight stay will require the hotel operator to purchase additional cleaning supplies and services, for example, and the taxi driver will have to replace the gasoline consumed during the trip from the airport. These downstream purchases affect the economic status of other local merchants and workers.

Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. Both the hotel operator and taxi driver experience increased income from the visitor's stay, for example, as do the cleaning supplies outlet and the gas station proprietor. Induced effects capture the way in which this increased income is in turn spent by them in the local economy.



The Potential Economic & Fiscal Impact of Decker Lake Water Facility

An economy can be measured in a number of ways. Two of the most common are "Output," which describes total economic activity, and is equivalent to a firm's gross sales, and "Employment," which refers to permanent jobs that have been created in the local economy. In order to provide an accurate basis of comparison, all dollar-denominated results are expressed in constant 2003 figures.

The interdependence between different sectors of the economy is reflected in the concept of a "multiplier." An output multiplier, for example, divides the total (direct, indirect and induced) effects of an initial spending injection by the value of that injection – i.e., the direct effect. The higher the multiplier, the greater the interdependence among different sectors of the economy. An output multiplier of 1.4, for example, means that for every \$1,000 injected into the economy, another \$400 in output is produced in all sectors.

The results of running the increased spending levels through the IMPLAN model are delineated in the following tables.

**Table 3: Total Economic Impact of
Decker Lake Water Facility & Non-local Spectator Spending**

| Year | Direct Output | Total Output* | Total Employee Compensation* | Total Employment (Part & Full-Time)* |
|-------|---------------|---------------|------------------------------|--------------------------------------|
| 1 | \$10.5M | \$16.2M | \$6.5M | 223 |
| 2 | \$13.8M | \$20.8M | \$8.2M | 289 |
| 3 | \$18.1M | \$26.9M | \$10.5M | 379 |
| 4 | \$22.6M | \$33.1M | \$12.8M | 468 |
| 5 | \$26.8M | \$39.2M | \$15.0M | 557 |
| 6 | \$30.7M | \$44.5M | \$16.9M | 640 |
| Total | \$122.3M | \$180.7M | \$69.9M | - |

Source: TXP, Decker Lake Water Facility

* Figures represent Direct, Indirect, and Induced impacts

Beyond the direct and indirect economic impacts detailed above, DLWF events would generate an increase in tax revenues for local taxing jurisdictions. All levels of government – city, county, and special taxing authorities – are positively impacted by attracting out-of-town spectators to Austin. For this study, TXP paid special attention to using accurate information to ensure a thorough and statistically valid analysis of visitors' impact on the local economy. In this section, TXP has quantified the amount of direct City of Austin tax revenue attributable to direct DLWF purchases and visitor spending.

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**Table 4: Estimated City of Austin Tax Impact
Decker Lake Water Facility Events and Non-local Spectator Spending (Direct & Indirect)**

| Year | Hotel/Motel | Sales | Property | Total |
|-------|-------------|-----------|-------------|-------------|
| 1 | \$152,653 | \$64,598 | \$111,617 | \$328,868 |
| 2 | \$205,205 | \$85,985 | \$143,338 | \$434,527 |
| 3 | \$275,275 | \$114,500 | \$185,631 | \$575,407 |
| 4 | \$345,345 | \$143,016 | \$227,925 | \$716,286 |
| 5 | \$415,415 | \$171,531 | \$270,219 | \$857,165 |
| 6 | \$485,485 | \$196,929 | \$307,074 | \$989,488 |
| Total | \$1,879,378 | \$776,558 | \$1,245,804 | \$3,901,740 |

Source: TXP

Conclusion

Decker Lake Water Facility has the potential to draw a significant number of out-of-town attendees to Austin, who will in turn create economic activity and tax revenues. The results of this analysis suggests the impact over the next six years will be an overall increase in output of \$122.3 million, a gain in labor income of \$69.9 million, the creation of a few hundred jobs, and a rise in City tax revenues of almost \$3.9 million. Seen in this light, RFC could have an important impact on the community. Tax revenue and output estimates have been understated because the analysis did not capture any type of revenue sharing with the City of Austin. There are also intangible benefits associated with developing this type of attraction; including increased regional, national, and international exposure for the area, as well as a certain prestige associated with being home to a world-class outdoor entertainment venue. These intangible benefits can easily result in increased business activity for the local community, which in turn results in the creation of even more jobs and income. These benefits are difficult, if not impossible to measure, and no attempt is made here to estimate them.